

**From:** Nick Parlante  
**To:** Microsoft ATR  
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**Subject:** need for competition

I'm writing to express my concern that Microsoft's current position is a frightful drag on innovation and investment in computer science, and that the proposed remedy falls far short of fixing the situation.

The obvious concern is that Microsoft can use the market power of its monopoly operating system to achieve dominance in other domains -- such as with the Netscape browser, or the Real and Quicktime media formats. Obviously, we want microsoft to compete on price and features in those new domains, rather than leveraging its existing dominance.

Rather than repeat those arguments, I would like to come at the point from a new direction.

What is the most exciting and valuable technology to come about in computer science in the last 10 years? The Internet!

At the time the Internet burst on the scene, roughly 90% of the world's computers were using Microsoft operating systems to run Microsoft applications to produce and exchange microsoft formatted files. If Microsoft controlled the operating systems and the applications and the document formats, why did the Internet not develop as a Microsoft feature? Why did the measly other 10% come up with the best technology of the last decade? There are two answers to this question:

1. Microsoft position has created, inevitably, an atmosphere of complacency. The result has been a series of overpriced, insecure, and just generally crummy products with high prices. It always stuns me how breathless the marketing prose is for these things when they are patently so lame. Or rather, how low our standards have become for the price/performance of software. We have become accustomed to lack of competition. Look at PowerPoint today vs. 5 years ago. Compare that to a domain where there is competition, such as hard drives, or databases. The rest of computer science proceeds through ruthless competition, and the contrast to the Microsoft products without competition is stunning. With competition, PowerPoint would be far cheaper now than it was 5 or 10 years ago. The atmosphere of complacency inhibits something as useful as the Internet from being developed inside of Microsoft -- it threatens the status quo.

2. Microsoft develops products to strengthen its monopoly -- each product tries to tie in to the other Microsoft products. Using such ties, both technical and marketing, the Microsoft products lock into each other to protect the franchise from a product that might compete in a single domain. From a technical point of view, the practice enables

some neat features, but also a series of disastrous security holes. From a marketing point of view, it has been entirely effective. For example, PowerPoint could never stand on its own in the market with its price/performance (\$314 street price, Jan 2002), however bundled with Word and Excel it does ok.

Besides all that, the habit of linking products together exactly prevented Microsoft from developing the Internet. The Internet is all about any-any connections. This works by having a freely available standard, such as TCP/IP or HTTP, and having all systems implement the standard in a non-discriminatory way. So A PC can make a web (HTTP) connection to a Unix machine, or a Macintosh, or whatever. In the early 90's, Microsoft created technology for PC-to-PC networking, but it goes against the Microsoft linking strategy to create good PC-Unix, PC-Mac etc. versions.

The Internet is the philosophical opposite of Microsoft's "linkage" strategy. Because Internet connections are based on standards, they lead to competition. If you don't like the brand X HTTP server, you can swap in the brand Y HTTP server and it still works since the two are following the HTTP standard. Looking back at the development of the Internet, one of the key technical themes is: standards promote competition which leads to continuous improvement in price/performance.

The emergence of the Internet is exactly a peek at what the world would look like without Microsoft domination. The Microsoft domain is so leaden, so stationary, that the tiny, non-profit driven standards projects, such as TCP/IP or HTTP or HTML, created whole new domains while Microsoft stood still. This reflects both the great dynamism that competition creates as well as the sodden rule of a monopolist. (That Microsoft would like to bring these new domains under its control is, of course, the topic of the trial.) The point I would like to emphasize, is how vibrant, how amazingly innovative and valuable computer science can be when prompted with a competition. We are so accustomed to the Microsoft hegemony, that we think of it as high tech and innovative, whereas the Internet showed us that the Microsoft domain is stationary compared to a real competitive domain. Computer science has so much potential to create value when pressed with competition. I fear that Microsoft's monopoly will weight down that potential to look more like the pathetic history of PowerPoint.

I would recommend that Microsoft be divided into three parts: Operating systems, applications, and internet applications. Each part should have to compete in its domain on its merits, without technical, financial, or marketing ties to influence the competition in the other two domains.

Disclaimer: I own Microsoft stock. I think if forced to compete, they would do fine on their merits.

Regards,

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